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SUBJECT: LEBANESE MADOFF LOSES \$1.6 BILLION IN INVESTOR FUNDS  
(ECONOMIC WEEK IN REVIEW, AUGUST 31 - SEPTEMBER 6, 2009)

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LEBANESE MADOFF LOSES  
\$1.6 BILLION IN INVESTOR FUNDS

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**¶1.** (U) Local and international media have reported extensively on the case of Salah Ezzedine, dubbed the Lebanese Bernard Madoff, after he declared bankruptcy and gave himself up to the authorities.

Reports noted that Ezzedine may have lost as much as \$1.6 billion in investor money, mainly due to the drop in oil and iron prices in the past year. Ezzedine, a Shi'a from the south who is close to Hizballah, owns a travel agency catering to Muslim pilgrims, as well as publishing house Dar al-Hadi, specializing in Shi'a religious books and works by Hizballah officials. He also ran personal investment schemes that attracted large amounts of money from Shi'a in southern Lebanon, investors from the Gulf and Africa, as well as high-ranking Hizbollah officials, including MP Mohammed Raad, Amin Sherri and Hajj Wafiq Safa, according to the press.

PUBLIC DEBT STABLE, RECORD BALANCE OF PAYMENTS SURPLUS

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**¶12.** (U) Gross public debt in Lebanon reached \$47.3 billion at the end of June 2009, a slight increase of 0.6% from end-December 2008. Local currency debt increased by 0.5% to around \$26 billion, while foreign currency debt rose by 0.8% to \$21.3 billion. Prominent local Bank Audi attributed the lack of a substantial increase in public debt to a drop in investment in T-bills and greater investment in 5-year certificates of deposit by local banks.

**¶13.** (U) Meanwhile, Lebanon's balance of payments posted a \$2.1 billion surplus in the first half of 2009, compared to an \$83 million surplus during the first half of 2008. Bank Audi attributed this record high surplus to a \$3.6 billion rise in net foreign assets at the Central Bank of Lebanon (CBL), which offset the \$1.5 billion decline in those of banks and financial institutions. Capital inflows also recorded a high of \$8.2 billion in the first half of the year, up by 47%. The CBL noted that capital flows were mainly composed of remittances, foreign direct investment,

non-resident deposit flow, and cash transfers by visiting tourists. In its most recent report on Lebanon, the IMF assessed that 2009 economic growth could very easily surpass its 4% projection.

TRAVEL AND TOURISM INVESTMENT TO RISE IN 2009,  
LACK OF CABINET PUTS PROJECTS ON HOLD

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**¶14.** (U) The World Travel and Tourism Council (WTTC) ranked Lebanon nine out of the top ten countries worldwide, and fourth among MENA countries, in terms of fastest growth in travel and tourism capital investment in 2009. The WTTC forecasted travel and tourism capital investment in Lebanon to rise by 8.5% in 2009.

**¶15.** (U) Meanwhile, head of the syndicate of hotel owners Pierre Achkar publicly noted on August 27 that although the lack of a cabinet has not affected the number of tourists in Lebanon in 2009, it has delayed around \$2 billion worth of investments and the creation of 6000 new jobs in the hotel industry. The ministry of tourism estimates around two million tourists will visit Lebanon in 2009, with 1.1 million tourists already recorded by end-July.

LOCAL PHARMACEUTICAL COMPANIES COMPLAIN  
HEALTH MINISTRY DOES NOT TAKE THEM SERIOUSLY

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**¶16.** (U) According to Business Monitor International, the local Lebanese pharmaceutical industry is expected to increase 4% in 2009 and is currently valued at around \$500 million. Local French daily L'Orient Le Jour quoted the report on August 28 and noted that the market share of local products -- both under license from

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international pharmaceutical companies and generics -- is a mere 10%.

**¶17.** (SBU) Chairman of Benta Pharmaceutical Industries Bernard Tannoury told econoff and commstaff on August 27 that the ministry of public health (MOPH) does not take local industry seriously, even though it operates with state-of-the-art equipment and supplies products that are up to international standards. Tannoury noted the MOPH refused to accept a donation of locally produced medication for swine flu from Benta and instead purchased the medication from a local importer. Contacts report that the syndicate of importers is a powerful lobby group that works to obstruct local industry and allies itself closely to the MOPH, accused by many in the industry of being rife with corruption.

BEIRUT TO HOST ARAB FORUM  
FOR ENVIRONMENT AND DEVELOPMENT

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**¶18.** (U) The Arab Forum for Environment and Development (AFED) announced that it will hold its annual conference on November 19-20 in Beirut. The conference is expected to attract over 500 leading Arab and international delegates to focus on climate change in the Arab world. Minister of Environment Tony Karam noted that the conference would also help develop a common Arab position to be presented at the UN Climate Change Conference in Copenhagen in December. Lebanese environment NGO Indyact, active both locally and in the Arab world, will also hold a conference on climate change October 24.

SWINE FLU CASES REACH 792,  
SECOND DEATH CONFIRMED

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**¶19.** (U) According to the MOPH, the number of swine flu cases reached 792 this week, up from 500 in mid-August. The MOPH stressed that the number of cases requiring treatment did not exceed 3% of total cases, while it confirmed a second death attributed to the flu, a three-year old baby already suffering from health problems. The ministry also announced it will no longer track the number of people diagnosed with the flu, following the lead of other countries

worldwide.

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